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SUBJECT: TRINIDAD ECONOMIC HIGHLIGHTS - JUNE

The following were notable economic issues in T&T during the month of June:

- (1) Desalcott chairman charged with fraud
- (2) T&T Government confronts inflation
- (3) Central Bank raises "Repo" rate yet again
- (4) Rapid rail bidding process begins
- (5) Avian flu drug for Trinidad
- (6) Post-World Cup trade mission to Europe
- (7) Tobago TT\$2.7B budget passed

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1. Desalcott chairman charged with fraud  
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After four years of investigations into alleged corruption in the US\$120 million Trinidad desalination plant, Desalcott executive chairman Hafeez Karamath has been arrested on fraud charges. In January 2005, investigators raided Karamath's home and office in search of documents. The state charges that Karamath defrauded Trinidad and Tobago by dishonestly arranging for a water supply contract to be awarded to Desalination Company of Trinidad and Tobago (Desalcott), a joint venture between Hafeez Karamath Engineering Services Limited and U.S. company Ionics. Karamath is being charged jointly with two Israeli nationals. Karamath owns sixty percent of the issued shares of Desalcott, in partnership with Ionics, an American firm that specializes in the building and operation of desalination plants. Ionics is now part of General Electric. It has not been the subject of any charges in this case.

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2. T&T Government confronting inflation  
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Finance Minister Conrad Enill says the growing rate of inflation is a concern. In recent comments on the state of the T&T economy, Enill said the T&T government has been taking several steps to ensure that the situation does not continue unchecked. In order to curb inflation, Enill said the Government first intended to dampen demand through tighter monetary policy, of which a consequence would be higher interest rates to cut consumption and increase saving. Secondly, the Government will attempt to scale down construction. Thirdly, the Government is taking steps to stimulate agriculture. Enill says the causes of inflation in T&T are an increase in demand, agriculture supply bottlenecks, and markups by wholesalers and retailers. Enill suggests that this is the result of increased spending in the public and private sector, and also sluggish agricultural output because of flooding and job competition. According to the minister, 1,000 jobs were lost last year in the agricultural sector alone. Notwithstanding, he said the overall unemployment rate fell in 2005 from 8.4 pct

to 8.0 pct, as a result of growth in both the construction and manufacturing sectors.

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#### 13. Central Bank raises "Repo" rate yet again

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In light of rising inflationary pressures, strong growth in consumer credit and the potential for further narrowing of the differential between T&T and US short-term interest rates, the Bank is taking intensified action on two fronts with a view to reducing liquidity and dampening demand. The actions included increasing the "Repo" rate by 25 base points from 7.0 percent to 7.25 percent as of June 23. Additionally, they include withdrawing TT\$500 million from the banking system through a special interest bearing deposit that is to be lodged at the Central Bank for a minimum period of one year. Recent statistical data shows that headline inflation climbed 7.97 per cent on a year-on-year basis, compared to 6.90 at the end of the previous month.

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#### 14. Rapid rail bidding process begins

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Works and Transport Minister Colm Imbert has revealed that 81 firms (65 foreign and 16 local) are interested in designing, building, operating and maintaining the proposed rapid rail project. The minister said that this initiative is taking place because Trinidad and Tobago finally has the means to implement the infrastructure plans. Minister Imbert noted that 40 percent of the population currently uses public transportation and the volume will increase. Imbert also mentioned that the Government was simultaneously

PORT OF SP 00000808 002 OF 002

developing several transportation initiatives including toll roads, water taxis, new expressways, arterials, and links. Imbert said the 81 firms are now coalescing into consortiums, and the ministry has received positive acknowledgement of its qualification forms and instruction documents from 34 groups or organizations from a wide range of countries. Those nations include Britain, Canada, China, Germany, Japan, Korea, Spain, USA, and Venezuela. The second pre-tender meeting for the rapid rail project is scheduled for July 25. The Government anticipates awarding the contract in December of this year.

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#### 15. Avian flu drug for Trinidad

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Tamiflu, a medication used in the treatment of avian influenza (AI), is expected to reach T&T by July, according to Health Minister John Rahael. Trinidad and Tobago is the first country in the Caribbean to have ordered the medication. The Government ordered the drug last year, but it will not be available to local pharmacies. Consistent with the policies of Roche Pharmaceuticals, which manufactures the drug, and the World Health Organization (WHO), the Government is solely responsible for the distribution of Tamiflu in T&T.

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#### 16. Post-World Cup trade mission to Europe

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Edwina Leacock, Trade Ministry permanent secretary, has announced that the Ministry is leading a trade mission to Europe. In an official invitation to Amcham to participate, she said, "The recent success of the national football team in the World Cup Finals 2006 in Germany, presents a unique opportunity for showcasing Trinidad and Tobago as a premier investment destination and a regional leader in export trade. In this regard,

the Ministry of Trade and Industry has scheduled a Trade and Investment Mission to Europe. The mission will be led by Minister Kenneth Valley, and the countries to be visited are France, Spain, Germany, Holland, Sweden, and the United Kingdom. The mission seeks to promote Trinidad and Tobago as the manufacturing hub and economic center of the region, thus making it attractive for potential investment in manufacturing from Europe. Besides ministerial meetings, the mission will include a seminar on trade and investment opportunities and technical meetings with the business community." Leacock has told Econ Chief that the dates, initially proposed for July, are likely to be reset for some time in October.

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17. Tobago TT\$2.7 billion budget passed

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The Tobago House Assembly (THA) passed a TT\$2.7 billion budget proposed by the ruling government. The fiscal package covers the period October 1, 2006, to September 30, 2007. In the previous fiscal year, Tobago was due to receive TT\$2.2 billion, or 6.5 percent of the total budget. This is viewed as a positive change from the past, during which Tobagonians, which represent 4.6 percent of the T&T population, were battling for a fair share of the total budget. The proposed budget calls for a recurrent budget of TT\$1.4 billion, and the allocation of TT\$1.2 billion for development, as well as additional funds for other investments to stem unemployment and enhance conservation efforts. NOTE: The Tobago outlay generally becomes a line item in the T&T national budget, which is announced in September/October.

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